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**WTO Establishes Dispute Panel in U.S. Challenge
to Mexican Antidumping Order on Rice**

WASHINGTON – The Office of the U.S. Trade Representative (USTR) announced today that the World Trade Organization (WTO) has established a dispute settlement panel to review the U.S. challenge to Mexico's antidumping order on U.S. long-grain white rice. The panel, which will also review certain provisions of Mexico's Foreign Trade Act and its Federal Code of Civil Procedure, was established in response to a request by the United States.

"American rice exports to Mexico are being unfairly blocked. We are pursuing this WTO case to ensure that American farmers can sell their world-class rice to Mexican consumers," said U.S. Trade Representative Robert B. Zoellick. "This Administration will continue to aggressively work to ensure that Americans are treated fairly in the international trading system."

The panel's establishment is the next step in the U.S. case against Mexico, which was announced last June.

Background

Countries impose antidumping duties when they believe another country's producers are exporting products at less than fair value, causing injury to domestic producers. Mexico imposed antidumping duties on U.S. white long grain rice in June 2002. In addition, Mexico passed amendments to its antidumping and countervailing duty laws in December 2002.

In the WTO panel request, the United States identifies numerous apparent violations of Mexico's obligations under the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 (Antidumping Agreement), the Agreement on Subsidies and Countervailing Measures (SCM Agreement), and the General Agreement on Tariffs and Trade 1994 (GATT 1994). These violations relate to various procedures and methodologies Mexican authorities used in the rice investigation, as well as to the requirements of the Mexican legislation.

In particular, the proceeding will address issues such as Mexico's choice of data used in the investigation, its methodology for determining whether the Mexican industries were injured by

reason of dumped imports, its failure to terminate the investigation when it found that no dumping or injury was occurring, its calculations of dumping duty rates applicable to imports, and its non-transparent determinations.

The United States typically exports around \$100 million of all types of rice to Mexico. There has been a 50% decline in the approximately \$17 million dollars of exports to Mexico of the milled rice on which antidumping duties have been applied.

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Q&As

Q:The United States has been a staunch defender of trade remedy laws. Why are you now attacking Mexico's use of these laws?

A:The United States believes that trade remedy laws are an essential part of the rules-based international trading system – but they must be used in accordance with those rules. The United States has not hesitated in the past to challenge foreign antidumping actions when those actions have violated WTO rules and harmed U.S. exports, and we will continue to do so.

Q:What were the other U.S. WTO challenges to foreign antidumping actions?

A:We successfully challenged Mexico's antidumping investigation on high fructose corn syrup, leading Mexico to withdraw the order. We also requested WTO consultations on Mexico's antidumping order on live swine, leading Mexico to withdraw the order. We also held consultations on Mexico's antidumping order on beef.

Q:Why are you also challenging Mexico's statute?

A:The Mexican statute directs how Mexican authorities will conduct all future antidumping and countervailing duty investigations. We want to ensure that the statute – and hence the investigations based on it – are consistent with WTO rules.

Q:Didn't you hold WTO consultations on Mexico's antidumping investigation of U.S. beef? Why didn't you ask for a panel on the beef investigation?

A:In July, we held WTO consultations on both the rice and the beef investigations. After evaluating the information we received in those consultations, we decided to move ahead now to challenge the rice investigation. We are still evaluating the beef investigation, which is the also the subject of separate proceedings under the North American Free Trade Agreement.

Q:What comes next?

A:After the panel members are selected, the panel will receive written submissions and hear arguments from the United States, Mexico and third parties. It will then issue its report on whether the Mexican measures are consistent with WTO rules. Each party will then have an opportunity to appeal the report. All together, the process could take up to 18 months or so.

Q:Mexico is challenging three U.S. trade remedy decisions on steel, cement, and steel pipes (OCTG). Is the rice request a response? The fact that such close trading partners are taking so many trade actions in this one area suggests there is a more fundamental problem.

A:No, they are unrelated. We choose to take cases to the WTO on their merits. As to your broader question, perhaps it reflects the success of our trade relationship rather than any failure.

With our trade with Mexico now generally unrestricted by quotas, tariffs and other market barriers, trade remedy actions become relatively more important and naturally get more scrutiny.

Q.Why aren't you challenging Mexico's antidumping action on rice through NAFTA?

A.NAFTA provides a means for U.S. companies to appeal a Mexican antidumping action if they consider that the action was inconsistent with Mexican laws. The WTO provides a means for the U.S. government to challenge a Mexican antidumping action if, as is the case here, the United States considers that the action is inconsistent with Mexico's WTO obligations.